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SUBJECT: GENERAL MOTORS RIDES INTO KAZAKHSTAN

Ref: Astana 2201

¶1. General Motors is rapidly expanding its still modest presence in Kazakhstan, GM European affairs executive director Trayce Wakefield told the Ambassador on October 31. Through collaboration with Azia Avto, a Kazakhstani company, GM is now assembling Chevrolet cars in Ust Kamenogorsk (East Kazakhstan Oblast) at a plant that also assembles Avtovaz (Lada), Skoda, and Suzuki cars. The Azia Avto operation employs about 3,000 people, of which approximately 500 work on the Chevrolet operation.

¶2. Having launched Chevrolet in Kazakhstan, GM also has plans to introduce the more expensive Opel brand. GM Marketing Manager for Kazakhstan Assel Kozhakova told Econoff on November 8 that for now, GM assembles in Kazakhstan several Chevrolet models, with prices ranging from around \$12,000 (for a bare-bones Aveo) to \$39,000 (for a fully equipped Captiva SUV). GM is also importing into Kazakhstan bigger, more upscale SUV's, including Chevrolets, Cadillacs, and Hummers, all assembled in the U.S. and United Arab Emirates.

¶3. According to Wakefield, GM has a good relationship with the Kazakhstani Government and has ambitious expansion plans in the country. It already has 13 dealerships in 13 different cities and intends to open more, including a soon-to-be-completed "very large" dealership in Almaty. That dealership will offer Chevrolets, Opels, Hummers, and probably Saabs.

¶4. Sales of new GM cars are currently growing at nearly 30 percent per year. Kozhakova said that the recent ban on importation of right-hand drive vehicles is helping increase demand for GM cars. GM's management in Kazakhstan is pinning additional hopes on the possible introduction of stricter environmental standards, which could benefit the automaker at the expense of its competition, including the burgeoning industry of importing used vehicles from western Europe. (Note: Stricter emission and fuel quality standards may, indeed, be coming to Kazakhstan soon. See Reftel. End note.)

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